

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of

Access Charge Reform

Transport Rate Structure and Pricing

CC Docket No. 96-262

CC Docket No. 91-213

## MCI OPPOSITION TO PETITIONS FOR RECONSIDERATION

## I. Introduction

MCI Telecommunications Corporation (MCI), pursuant to Section 1.429 of the Commission's rules, hereby submits its Opposition to the Petitions for Reconsideration filed by the SBC Companies (SBC) and U S West, Inc. (U S West) on January 14, 1998, in the above-captioned docket.

In their petitions, SBC and U S West ask the Commission to reconsider the Third Report and Order (Order) because, they claim, the revised Part 69 rule adopted in the Order reallocates an excessive portion of their general support facility (GSF) costs from the access categories to the billing and collection category. SBC and U S West request that the Commission either (1) modify the rule adopted in the Order to reduce the amount of GSF costs reallocated; or (2) phase in the rule change over three years. The Commission should reject SBC and U S West's arguments and affirm the Order.

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## **II. The Order Does Not Shift Excessive Costs to Billing and Collection**

In the Order, the Commission concluded that “the LEC allocation of nonregulated billing and collection costs attributable to general purpose computers and other support assets is a significant problem.”<sup>1</sup> It noted, in particular, that no portion of the costs of general purpose computers was assigned to billing and collection even though such computers were clearly used in providing billing and collection services.<sup>2</sup> To correct the underallocation of general purpose computer and other GSF costs to billing and collection, the Commission revised Section 69.307 of its rules to provide that GSF costs in Accounts 2111 (Land), 2121 (Buildings), 2123 (Office equipment), and 2124 (General purpose computer) shall be apportioned to the billing and collection category using a modified Big Three Expense allocator.

Notably, SBC and U S West do not dispute the Commission’s conclusion that GSF costs are incurred in the provision of billing and collection services and that GSF costs were underallocated to the billing and collection category under the prior rule. Instead, they argue that the total amount allocated to the billing and collection category will be excessive. SBC, in particular, argues (1) that the Commission failed to consider changes to other sections of the Part 69 rules that allocate costs to the billing and collection category;<sup>3</sup> and (2) that there was no need to allocate additional costs to the

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<sup>1</sup>Order at ¶17.

<sup>2</sup>Id.

<sup>3</sup>SBC Petition at 4.

billing and collection category because SBC's billing and collection costs already exceeded its billing and collection revenues.<sup>4</sup>

Neither of these arguments provides any basis for reconsideration of the Order. First, the only rule that SBC cites as overallocating costs to the billing and collection category is Section 69.408, which apportions "all other customer services expense in Account 6620" among the billing and collection, interexchange, and access categories.<sup>5</sup> Even if were true that a portion of the costs apportioned by Section 69.408 to billing and collection is not related to billing and collection, as SBC claims, this would not in any way offset the underallocation of GSF costs. Based on 1996 ARMIS data, "other customer services expense" apportioned by Section 69.408 to the billing and collection category represented only \$2.9 million of SWBT's \$52.7 million in billing and collection operating expenses.<sup>6</sup> By contrast, the revised rule adopted in the Order appropriately reallocates \$18.6 million from the access elements to the billing and collection category.<sup>7</sup> Thus, SWBT has presented no evidence that other Part 69 rules compensated ratepayers for the underallocation of GSF costs to the billing and collection category. As it did in the Order, the Commission should reject the argument that the Part 69 rules, in the

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<sup>4</sup>Id. at 3-4.

<sup>5</sup>Id. at 4.

<sup>6</sup>Total SWBT ARMIS 43-04, lines 7300, 7351, col. q.

<sup>7</sup>Southwestern Bell Telephone, Tariff F.C.C. No. 73, Transmittal No. 2678, filed December 17, 1998, Tariff Review Plan, EXG-3, col. A.

aggregate, already allocated an appropriate amount to the billing and collection category.<sup>8</sup>

SBC's other argument, that the revised rule would cause its costs allocated to the billing and collection category to further exceed its billing and collection revenues, also fails to justify reconsideration of the Order. Current billing and collection revenues are not an indicator of the correct allocation of costs to the billing and collection category. Indeed, the Commission adopted the revised rule because it found that access revenues were recovering a portion of the ILECs' billing and collection costs. The rule change was designed to ensure that "future ratepayers . . . will not continue to pay higher access rates because of the misallocation of costs to access rate elements that occurred before [the price cap] LECs became subject to price cap regulation."<sup>9</sup>

Moreover, the cost figures shown in SBC's petition are misleading. SBC contends that its "1996 B&C Cost Before GSF Rule Change" exceeded its "1996 B&C Revenue," and that the "1996 B&C Cost After GSF Rule Change" would exceed its 1996 billing and collection revenue by a greater margin.<sup>10</sup> However, ARMIS data shows that SBC's 1996 billing and collection costs were actually less than its billing and collection revenues.<sup>11</sup> It appears that SBC's "1996 B&C Cost Before GSF Rule

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<sup>8</sup>Order at ¶21.

<sup>9</sup>Order at ¶46.

<sup>10</sup>SBC Petition at 4.

<sup>11</sup>This is consistent with the Commission's finding in the Order that RBOC and GTE billing and collection revenues exceeded their billing and collection operating expenses by a substantial margin. Order at ¶18. ("The RBOCs and GTE report interstate

Change” figure is not SWBT’s actual 1996 billing and collection cost, but 1996 ARMIS data restated to reflect the Part 69 rule changes adopted in the Access Reform Order and the Other Billing and Collection (OB&C) separations rule change adopted in 1997.<sup>12</sup> Thus, the billing and collection cost figures shown in SBC’s petition represent the cumulative effect of several rule changes in addition to the new GSF allocator. In particular, the billing and collection costs cited by SBC reflect the significantly increased interstate allocation of OB&C costs adopted in the OB&C Order.<sup>13</sup> It is therefore misleading for SBC to attribute the entire differential between its billing and collection revenues and its “after GSF rule change” billing and collection costs to the corrected GSF allocator adopted in the Order.

### **III. There is No Reason to Phase In the Rule Change or Modify the Rule**

The Commission should not adopt SBC and U S West’s proposal to implement the reallocation of GSF costs on a phased basis. The overallocation of GSF costs

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billing and collection operating revenues of about \$536 million and related operating expenses of about \$439 million during 1996.”)

<sup>12</sup>The \$67,233,000 “before GSF rule change” cost for SWBT that is shown in SBC’s petition is the same as the “base case” figure that SWBT describes in Transmittal No. 2678 as “adjusted to reflect all of the Part 69 cost shifts required in the Access Reform Order.” Southwestern Bell Telephone Company, Tariff F.C.C. No. 73, Transmittal No. 2678, D&J, Section 25-1. Elsewhere in Transmittal No. 2678, SWBT describes its “base case” data as reflecting the revised 33 percent separations factor for other billing and collection expenses. Transmittal No. 2678, D&J, Section 4.A.

<sup>13</sup>In the Matter of Amendment of Part 36 of the Commission’s Rules and Establishment of a Joint Board, Report and Order, CC Docket No. 80-286, rel. February 3, 1997 (OB&C Order).

incurred in the provision of billing and collection services to the access elements was a longstanding and serious problem. As the Commission discusses in the Order,<sup>14</sup> the overallocation was a consequence of the Part 69 Conformance Order,<sup>15</sup> which was adopted in 1987. Because the misallocation of GSF costs was reflected in access rates for over a decade, there is no reason to delay correcting this problem any longer.

Finally, the Commission should not adopt U S West's proposal to modify the new rule to apply only to general purpose computer investment, not land, buildings, or office equipment investment. U S West has not even attempted to present any basis for the Commission to reconsider its conclusion that land, buildings, and office equipment are "clearly related to billing and collection."<sup>16</sup>

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<sup>14</sup>Order at ¶¶17-18.

<sup>15</sup>In the Matter of Amendment of Part 69 of the Commission's Rules and Regulations, Access Charges, To Conform It With Part 36, Jurisdictional Separations Procedures, Report and Order, 2 FCC Rcd 8447 (1987) (Part 69 Conformance Order).

<sup>16</sup>Order at ¶35.

#### **IV. Conclusion**

For the reasons stated herein, MCI recommends that the Commission deny the petitions for reconsideration filed by SBC and U S West.

Respectfully submitted,  
MCI TELECOMMUNICATIONS  
CORPORATION



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February 26, 1998

STATEMENT OF VERIFICATION

I have read the foregoing, and to the best of my knowledge, information, and belief there is good ground to support it, and that it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on February 26, 1998.



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## CERTIFICATE OF SERVICE

I, John E. Ferguson III, do hereby certify that copies of the foregoing Opposition of MCI to Petitions for Reconsideration in the Matter of Access Charge Reform, Transport Rate Structure and Pricing were sent, on this 26th day of February, 1998, via first-class mail, postage pre-paid, to the following:

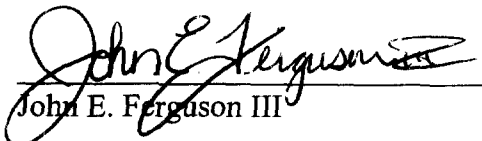
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